

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DRC-01 /143 W

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R 080737Z DEC 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 2545

INFO AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY PARIS

AUSMISSION OECD PARIS UNN

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY BRUSSELS

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E.O. 11652: N/A

TAGS: EFIN, NL

SUBJ: CENTRAL BANK MOVES TO DEFEND GUILDER

SUMMARY: PRESSURES ON THE GUILDER, RESULTING MAINLY FROM UNCERTAINTY OVER THE ENERGY SITUATION, HAVE LED THE CENTRAL BANK TO INCREASE THE DISCOUNT RATE AND TO INTERVENE IN THE FOREIGN EXCHANGE MARKET. WHILE THERE IS SPECULATION THAT THESE PRESSURES MAY FORCE A GUILDER DEVALUATION, THE NETHERLANDS' SUBSTANTIAL FOREIGN EXCHANGE POSITION WOULD SUGGEST THAT SUCH A MOVE IS NOT NOW CALLED FOR. END SUMMARY.

1. STRONG PRESSURE ON THE GUILDER IN THE PAST FEW DAYS HAS FORCED THE CENTRAL BANK TO UNDERTAKE SUBSTANTIAL SUPPORT ACTIVITIES.

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ACCORDING TO PRESS REPORTS, WHICH CENTRAL BANK CONTACTS INFORM US

ARE ACCURATE, ON DEC 4 THE DUTCH CENTRAL BANK SOLD ONE BILLION BELGIAN FRANCS, 16.2 MILLION SWEDISH KRONER, AND 13.5 MILLION DANISH KRONER. (TOTAL INTERVENTION WAS ABOUT 356 MILLION GUILDERS). ON DEC 5 THE CENTRAL BANK SOLD 171 MILLION GUILDERS WORTH (148 MILLION GUILDERS WORTH OF FRENCH FRANCS, 20.8 MILLION GUILDERS IN DANISH KRONER). TOTAL FX SALES BY THE BANK ON DEC 6 WERE ABOUT 223 MILLION GUILDERS. TODAY, DEC 7, THE CENTRAL BANK HAS AGAIN INTERVENED TO THE TUNE OF 412 MILLION GUILDERS.

2. ON DEC 5 THE CENTRAL BANK ANNOUNCED THAT THE DISCOUNT RATE WOULD BE RAISED BY 1 PERCENT (TO 8 PERCENT) WITH EFFECT FROM DEC 6, WITH ALL OTHER RATES (SEE THE HAGUE'S 4582) ALSO RISING BY 1 PERCENT.

3. THE CONTINUED PRESSURE ON THE GUILDER IN THE PAST FEW DAYS, ATTRIBUTED TO THE UNCERTAINTY OVER THE IMPACT OF THE ENERGY CRISIS ON THE DUTCH ECONOMY, HAS GIVEN RISE TO SPECULATION THAT THE GUILDER WILL BE DEVALUED. LOCAL SOURCES BELIEVE, AND THE EMBASSY IS INCLINED TO AGREE, THAT SUCH A MOVE IS NOT YET CALLED FOR GIVEN THE NETHERLANDS' SUBSTANTIAL FOREIGN EXCHANGE RESERVES. ON DEC 3 THESE STOOD AT A RECORD 17.3 BILLION GUILDERS, A SIGNIFICANT PROPORTION OF THOSE RESERVES HAVING BEEN DRAWN IN AFTER THE RECENT (SEPT 17) REVALUATION OF THE GUILDER AND THE ENSUING SPECULATION ABOUT A FURTHER REVALUATION. IF OIL BOYCOTT AGAINST NETHS PERSISTS, HOWEVER, LEAVING DUTCH ECONOMIC PROSPECTS SIGNIFICANTLY BLEAKER THAN SNAKE PARTNERS, DEVALUATION OR SEPARATE FLOAT MAY MERIT CONSIDERATION.

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